



**WISCONSIN DEPARTMENT OF
ADMINISTRATION**

SCOTT WALKER
GOVERNOR

MIKE HUEBSCH
SECRETARY

Office of the Secretary
Post Office Box 7864
Madison, WI 53707-7864
Voice (608) 266-1741
Fax (608) 267-3842

Department of Administration Response to the UW System Proposal for Operation Flexibilities

The Department of Administration (DOA) appreciates the opportunity to comment on the proposals submitted to the Special Task Force on UW Restructuring and Operational Flexibilities (Task Force) related to procurement and buildings. Further, DOA commends the UW System (UWS) for putting together thoughtful proposals.

Capital Planning and Building Program

DOA agrees there are opportunities for streamlining and process improvement in working with the UWS on building projects and would welcome further discussions about the specifics. DOA is also committed to working with UWS and other stakeholders on updating the project delivery methods available on state projects. UWS has made four specific recommendations in its proposal. DOA finds significant areas where it agrees with the with the UWS proposal:

- In response to UWS proposal #2, DOA agrees that maintaining a single construction authority will ensure consistency in bidding and contracting for building projects.
- DOA supports the recommendation as outlined in UWS' proposal #3 to refine the enumeration process, and is generally supportive of the move to create enumeration flexibility. Further, as outlined in DOA's testimony to the Task Force, we propose to strengthen the enumeration process by not enumerating a project until it is programmed, planned, and accurately budgeted. This would go a long way to ensure projects stay on scope, schedule, and budget. UWS and DOA, through Division of State Facilities (DSF) staff, will work to refine the details of this proposal as part of the 2013-15 Capital Budget process.
- DOA supports UWS proposal #4 to authorize the Board of Regents to enter into lease agreements. DOA supports the UWS managing all aspects of their leasing program for UWS facility needs. DOA would remain available to provide assistance in both the transition and operational aspects of the UWS managing its leasing program.

There is one major area of disagreement between DOA and UWS. DOA does not support UWS proposal #1 which would split the design phase from the bidding and construction phases of a project. This proposed method does not provide the best value for taxpayers. While DOA appreciates UWS' passion for developing buildings to meet the academic and student life needs, DOA believes these same objectives are met in a more cost-effective way through the current centralized process.

- The benefits provided by the centralized system include a cradle to grave approach by unbiased, independent staff with various areas of expertise. This approach results in consistency in contract documents, workflow and billing processes, and application of design guidelines. It also provides economies of scale and the application of best practices throughout the life of a project. There are synergies gained by having a single enterprise-wide entity such as DSF responsible for executing the entire design and construction functions of a project where lessons learned on one building or system may be leveraged to improve another.

Placing primary responsibility for planning and design with UWS will result in the need for an increase in planning and design staff at UWS and/or individual campuses. This increase will divert critical resources away from UWS' core missions of education and research and would result in duplication of staff and services that currently exist at DOA to provide these functions and services to all state agencies. UWS' proposed bifurcated system would be confusing and potentially costly to the architecture/engineering and construction communities who do business with the state. In addition, the bifurcated system would pose challenges at significant hand-off points that could result in increased project costs that would have to be paid for by the State and UWS.

While DOA disagrees with proposal #1 of the UWS recommendations, the need for close collaboration between DOA and UWS in all phases of building design, construction, and maintenance is obvious. DOA has great respect for the relationship UWS has with students, faculty, and other building users, and values the input these groups bring to the process. Without doubt, the facilities and campus environment these buildings help create are critical to meeting the UWS' mission of education and research. DOA is committed to maintaining and building upon its relationship with the UWS such that the educational facilities it designs and constructs meet the important needs of its partners at the UWS in the most cost-effective manner possible.

Responses to the data requests made by the Task Force related to the building program are attached.

Procurement

DOA has reviewed UW System's request for procurement autonomy and we strongly believe that existing DOA policy and practices provide that the UW System with flexibility to procure goods and services that are unique to higher education. Providing UW System with the procurement autonomy they seek will limit the State's ability to leverage its buying power as nearly 40% of the State's spend would no longer be part of the state's contract negotiations. Committing staff resources to issue solicitations and negotiate contracts for goods and services used by all state agencies is not more efficient; it is a duplication of effort. Further, as each campus and departments elects to contract in its own individual style that duplication of effort will compound.

The existing delegation granted by DOA currently provides substantial flexibility and independence to UW System campuses. The effectiveness of the current delegation process can be documented by the number of campus specific contracts in place at UW Madison alone. UW Madison's procurement office website lists over 300 contracts for campus specific goods and services that have been procured directly by and for UW Madison campus under its current delegation authority. In comparison, the State Bureau of Procurement has only 136 statewide contracts on its website. UW Madison's campus independent procurement activity led to more than three times the number of contracts to manage than the number of statewide contracts established by DOA.

The UW System proposal is short on details about how it would "still give the state appropriate oversight of expenditures". . . Without a clear picture of what types of procurement practices UW System would develop under its own procurement authority, what assurance do state taxpayers and vendors have that adequate mechanisms will be put in place to insure maximum transparency and accountability? It is premature to consider such broad based autonomy without any details on the procurement policies and practices that UW System would put in place.

Finally, well respected authorities on public procurement laws and practices such as the National Association of State Procurement Officials (NASPO) and the American Bar Association (ABA) have spoken against diminishing central procurement leadership. In 2010 NASPO responded to a study conducted by National Association of Educational Buyers (NAEB) and American Association of State Colleges and Universities (AASCU) which promoted procurement autonomy for higher education. The NASPO response read in part: *"Exempting public colleges and universities from state procurement laws is completely inconsistent with sound public policy."* The American Bar Association (ABA) with respect to whether higher education institutions should be free of procurement regulation stated: *"With regard to sound public procurement policy, no distinction should be made between taxpayer and tuition dollars. To the contrary, procurement laws should apply 'to every expenditure of public funds irrespective of their source.'"*

DOA believes that current procurement statutes and policies work and should apply to all state public institutions in that they provide a framework for consistent, open, fair and transparent solicitations and contracting processes. We believe there is little rationale or need to provide additional flexibility to the University of Wisconsin System. DOA has and will continue to work with all state agencies to identify opportunities to engage in strategic sourcing, streamline processes and achieve better pricing and more efficient use of procurement resources.

A more detailed response to the UW System's proposal is attached.